

QUESTIONS FROM PROTENTIAL BIDDERS FOR IN-STATE
AND OUT-OF-STATE COLLECTION CONTRACTS

1. Q. Please provide current information on all incumbent vendors, including their number, fee, liquidation rates, and how long they have been under contract or providing these services.

A. The current in-state vendor is G C Services (GCS). The collection fee is 8.75% and the contract was effective October 1, 2002 and expires on April 5, 2006. The out-of-state vendor is Diversified Collection Services (DCS). The collection fee is 19.76%. The contract was awarded on March 1, 2003 and expires on March 1, 2006.
2. Q. When was the last time the contract was out for bid?

A. For the in-state contract, it was April 18, 2002, and for the out-of-state, it was September 16, 2002.
3. Q. Why is the contract out for bid?

A. Our statutes only allow for a 3-year contract. We did get a 6-month extension on the in-state contract so both contracts would expire around the same time.
4. Q. Is the state seeking to replace any current vendors with new ones as a result of this bid?

A. The bidding process is open to all qualified vendors. We do not preselect or disqualify in advance of the bidding process.
5. Q. Please provide a breakdown of in-state/out-of-state accounts regarding the percentage of consumer accounts against percentage that are commercial, or business accounts?

A. Based on the FYE 06/05 Accounts Receivable Report approximately 29% of our receivables are for Individual Income Tax. We do not have a breakdown by tax type for in state and out of state accounts available. However, as of 06/05 approximately 15% of taxpayers with an accounts receivable record did not have a location within the state.
6. Q. Please provide the average age of accounts at time of placement for primes, and then seconds?

A. The accounts will range in age from 60 days after the assessment becomes final and collectible by distraint to as much as 9 1/2 years after the assessment becomes final. More than 75% of the debt has been a final assessment for greater than one (1) year.

7. Q. What, if any, internal treatment does the State apply to accounts before they are forwarded and placed with an outside collection agency?
 - A. In most cases, we have sent billing notices, letters, telephone calls, skip-trace, garnishment/levy, tax liens, etc.
8. Q. Will accounts currently placed with agencies under contract be recalled and placed with new agencies under any resulting award?
 - A. Yes, all accounts will be returned to LDR for re-issuing to the new contractor with the exception of those accounts in an active installment agreement.
9. Q. Is a tax clearance certificate required to show that no outstanding obligations to the State exists, or is a statement certifying that no outstanding obligations exist acceptable?
 - A. A tax clearance certificate is not required. If the bidder is currently registered with LDR and qualified to conduct business in Louisiana, the bidder should be current in all filing requirements. If not registered, the successful bidder is required to register with Secretary of State and LDR as provided for in section 2.9 of the RFP.
10. Q. Do all current contractors' computer systems have C2 Controlled Access Protection ratings?
 - A. When LDR enters into contracts with other agencies and federal tax information is involved, one of the requirements is that the contract must include certain confidentiality language. That language does include computer security requirements and the current language specifically addresses the C-2 level requirement. Our current contractors are in compliance with that requirement.
11. Q. Realizing the C2 requirement is not necessarily a Federal requirement and not required on some federal collection contracts, will the State consider agencies for award whose computer systems do not currently have C2 Controlled Access Protection rating but their systems do have strict user accountability features, such as systematically recorded login procedures and other security features commonly available on collection systems such as full audit trails, identifying and authenticating end users, and protecting against unauthorized user access?
 - A. C-2 level for computer systems is an IRS requirement for state agencies that process federal tax information. As a representative of LDR, the C2 requirement will pass to the successful bidder.
12. Q. Are agencies to submit separate fees for primary placements, another for second placements, and a third for legal collections? Or is the State asking only for a single blended rate (fee) that is to be added to the total outstanding balance?

- A. Proposers should submit a single fee schedule that is a composite for first and second placement. If a proposer wishes to be considered for both contracts, a separate composite fee must be submitted for each contract. The vendor may submit a separate fee schedule for accounts in litigation.

13. Q. Is the LDR willing to consider a separate add-on rate for accounts wherein legal action is commenced?

- A. See question # 12.

14. Q. 2.12 Contract Award: It is understood that two separate contracts will be awarded for in-state and out-of-state accounts. How many agencies does the LDR anticipate selecting for each contract?

- A. LDR will select a single vendor for each of the two contracts or a single vendor for both contracts depending on the evaluation of the proposals. Each contract will be independently scored.

15. Q. 5.9 Monitoring and Evaluation: “All monies received as a result of any activities referred by the LDR **shall** be maintained separately and apart from all other funds of the successful proposer.” Please explain the requirement for separate maintenance of funds received.

- A. Monies received as a result of collection activities shall be maintained in a client trust account separate and apart from general business accounts maintained by the proposer.

16. Q. Does the current agency (ies) report accounts to the three national credit bureaus?

- A. No. In most instances the accounts cannot be reported because of the confidentiality statutes of Louisiana and the IRS.

17. Q. Who is the current agency (ies) and what is their current fee structure and liquidation/recovery percentages?

- A. See question # 1.

18. Q. 5.16 Subcontracting: Will LDR prohibit the use of an attorney on retainer under this contract?

- A. The use of an attorney on retainer would be considered a collection activity and would be subject to the prior written consent of the LDR.

19. Q. What internal collection handling process does the LDR initiate prior to placing accounts for collection with an outside agency?

A. See question # 7.

20. Q. Reporting Clarification: Please explain the difference between the quarterly and semi-annual reports detailed below within the following RFP sections.

Attachment 1, Performance Measures and Monitoring Plan: The successful proposer shall prepare **quarterly reports showing the status of all accounts**, including accounts in litigation, and the collection activity of each account. These reports must contain the designation shown in 5.18 of the Request for Proposals.

5.18 Reporting Requirements -All hardcopy and/or electronic reports and/or correspondence requiring individual detail must contain appropriate taxpayer identification. Taxpayer identification is defined as the account number assigned by the LDR or the individual's social security number and the taxpayer's name. On all reports, any column requiring figures such as payments, fees, accounts balances, etc., must be totaled at the end of the report for balancing purposes. The format will consist of the taxpayer's identification with relevant figures and dates under the item headings listed for each report. The successful proposer is cautioned that the fields indicated under each report type are mandatory and that all reports listed must be generated in the manner prescribed and within the time frames allotted in Section 5, Operational Requirements.

The successful proposer shall provide **semi-annually to the LDR an electronic file, ("Reconciliation"), and a hard copy, listing all accounts assigned arranged in account number order, by type of tax, by period.** (See exhibit I-K). The report shall contain the following fields: reporting period, account number or social security number, name, type of tax, and tax period, date account was assigned to the successful proposer for collection, outstanding balance, and indication of account status: For active accounts: (a) payment plan, (b) in skip tracing, (c) in litigation, (d) suspense, and, (e) disputed amounts. (See Exhibit O)

A. LDR maintains quarterly reports as a record of status of accounts. The Reconciliation reports are used to reconcile our electronic records with those of the collections agencies and to identify discrepancies.

21. Q. Must the proposer be licensed to collect in all 50 states and its territories?

A. The proposer must have the ability to litigate and execute judgments within the United States and its territories without regard to proposer's home office or location of the branch offices.

22. Q. Can the proposer's organization reside outside of Louisiana?

A. Yes, a physical location within the state is not required.

23. Q. In light of the recent disaster will forbearance, deferment of payments or amnesty periods be accepted?
- A. No. Any provisions, such as amnesty, would only result through legislative action.
24. Q. Section 1.2 provides initial placement estimates; however, please provide estimates of volume and timeline for on-going placements.
- A. The timeline is monthly but the volume cannot be determined in advance.
25. Q. Section 2.2 We understand that two separate contracts will be awarded; however, will LDR consider awarding both contracts to one Vendor?
- A. See question # 14.
26. Q. Section 4.2.a.7 Please clarify. Are Vendors to provide actual copies of all state licenses or will a detailed listing suffice.
- A. Vendors may list licenses held or provide copies at their discretion.
27. Q. Please provide the contract term.
- A. Contracts will be issued for a term of three (3) years.
28. Q. Under the previous contract, please provide:
- Contractor(s) names
Collection service fee rate(s)
Historical liquidation percentage
- A. See question # 1.
29. Q. What improvements would LDR like to see from the Contractors on this contract versus the previous contract?
- A. We do not have any specific improvements in mind.
30. Q. Of the 4,845 In-State accounts and 314 Out-of-State accounts, how many are business accounts and how many are individual accounts?
- A. See question # 5.
31. Q. What is the age of the accounts? Do you have a table which shows how many accounts fall within various age ranges (e.g., 0-2 years old, 2-4 years old, 4-6 years old, etc.)?

A. See question # 6. We do not have the requested table.

32. Q. What is the average balance of the accounts? Do you have a table, which shows how many accounts fall within various balance ranges?

A. We do not have the requested table.

33. Q. Do penalties and interest accrue on these accounts? At what rates?

A. Penalty should have reached the maximum amount allowed at placement. Interest will continue to accrue at the rate of 1.25 per month on the unpaid tax amount.

34. Q. What previous collection attempts have been made on these accounts by the state and private collection companies?

A. See question #7.

35. Q. If private collection companies were used to attempt recovery, how long were the accounts managed by the private collection companies?

A. Accounts placed were returned after 12 months, if they were unable to collect on account.

36. Q. If litigation is required, are court costs waived for actions on behalf of the State in the state of Louisiana?

A. No, court costs are not waived.

37. Q. Are out-of-pocket expenses such as filing fees and court costs paid by the LDR or are these expenses the responsibility of the proposer?

A. The contractor is responsible for these expenses.

38. Q. What is the litigation status of the accounts? Have judgments been rendered on any or all of the accounts?

A. When the assessments reach final status, they have the same effect as a legal Judgment (RS 47:1581). The only liabilities that may have included litigation would be an *extremely small number* of audits and/or officer liability files.

39. Q. In Section 5.1 of the RFP, paragraph 4, is the "collection fee" the same as "collection service fees" referred to in Section 4.2 f? Or is it a different fee?

A. Yes, this fee is the same.

40. Q. If the account is pursued through litigation, does the state of Louisiana require any special designation, special counsel or other qualification for the collection attorney?

A. No special designation is required.

41. Q. Page 7, Section 1.2 - Please provide the following information with respect to the current third party collection agency performing work on out-of-state accounts:

Name

Commission percentage rate(s)

Number and dollar amount of account placements for each of the last three years,

The dollar amount of commissionable collections for each of the last three years,

The actual compensation earned for each of the last three years.

A. DCS, see question #1.

DCS, See question #1.

Out of State Placements *	2004 - 12,953 accounts - \$18,687,908
	2005 - 536 accounts - \$ 1,273,813
Out of State Collections	2004 - \$410,172
	2005 - \$161,883
	2006 - \$ 13,567
Out of State Fees	2004 - \$ 67,625
	2005 - \$ 26,705
	2006 - \$ 2,190

* This figures does not take into consideration any recalls that may have been made by LDR.

42. Q. Page 7, Section 1.2 and Page 35. It is noted that all out-of-state assignments will be "original" assignments. Please clarify that this means that all will be first time placements.

A. The out-of-state placements will be first time placements. The exception would be the reassignment of files that are with the current out-of-state collector if they are not awarded the new contract.

43. Q. Page 7, Section 1.2 – With respect to the 4,845 accounts with a balance due of \$8,614,222.69 for in-state accounts, what number and dollar amount of the initial placements are expected to be accounts cancelled from the current third party collection agency and replaced with the selected vendor? Will LDR consider a separate rate for these second placement accounts?

The initial placement for in-state may or may not be first placements because the Attorney General's Office has the right to first refusal.

44. Q. Page 7, Section 1.2 – In addition to the initial placements for both in-state and out-of-state accounts what is the anticipated number and dollar amount of first and second placement accounts that LDR anticipates assigning on an ongoing annual basis?
- A. We cannot anticipate the number and dollar value of future placements.
45. Q. Page 7, Section 1.2 – Please describe the in-house collection efforts employed on out-of-state accounts prior to assignment to a collection agency (e.g., number and frequency of mailed notices, telephone calls, processing of liens, levy or garnishments, filing of litigation, participation in any offset programs, etc.).
- A. The number and frequency of mailed notices depends on the source of the debt, but, there is a minimum of 3 notices. The number of telephone calls varies based on the type of debt, amount of debt, etc. Liens and levies are not placed on out-of-state accounts because we do not have jurisdiction in other states without obtaining a judgment in the other state. The only offset that we would be able to execute would be for credits and overpayments made on the taxpayer's LDR account.
46. Q. Page 7, Section 1.2 – At what average and range of age of delinquency will the initial in-state and out-of-state placements be?
- A. The age is 60 days after the assessment becomes final up to 9 1/2 years after becoming final. We do not have the liabilities grouped by age.
47. Q. Page 7, Section 1.2 – Please provide a break-down of the number and dollar amount of initial in-state and out-of-state assignments by major tax types.
- A. We do not have a breakdown by tax type. See question # 5.
48. Q. Page 7, Section 1.3 – During each of the past three contract years, how many accounts did the out-of-state third party collection agency file litigation?
- A. None
49. Q. Out-of-state accounts look to have a \$10,902 average balance. Is this indicative of the placements that will be received on an ongoing basis on the out-of-state portion?
- A. That is not known.
50. Q. Page 11, Section 2.4 (and attachments V and VI) – May a proposer submit 3 separate service fee forms, 1) for in-state only, 2) for out-of-state only and 3) for both in and out-of-state combined as a single rate, or does LDR prefer to have separate rates for in and out-of-state collections? If 3 separate rates are acceptable, should proposer amend the title to attachment V or VI to indicate

that it is rate for in and out-of-state accounts combined?

- A. Vendors must submit a separate fee schedule for the in-state bid and the out-of-state bid. Do not combine the two bids. Vendors may also submit a separate fee schedule for litigation.

51. Q. Page 20, Section 5.3 – What number or percentage of out-of-state placements are anticipated to be made on a manual basis?

- A. Very few files will be manual.

52. Q. Page 47, Section 47 – Please clarify how partial payments will be compensated. For example, is our understanding correct using the following example: an account is placed with a balance of \$100.00 and the collection fee is 10% resulting in a total balance of \$110.00 to be collected, a partial payment of \$55.00 is collected, the \$55.00 is assumed to be \$50.00 of principal, interest and penalty and \$5.00 of collection fee to be paid to the collection agency.

- A. The formula, using your example, is \$55 divided by .0110 = \$50
\$55 minus \$50 for LDR = \$5 collection fee

53. Q. Attachments V and VI - Are there maximum rates (statutory or otherwise) that may be bid for either in-state or out-of-state assignments?

- A. The in-state bid cannot exceed 25%.

54. Q. Will the executive summary and the appendages count as a portion of the 75-page limit?

- A. The executive summary and appendages are counted separately and are not included in the 75-page limit.

55. Q. Does Louisiana require that the in-state and out-of-state accounts be segregated and reported as separate entities? Or can they be merged together and reported as one?

- A. The records must be separately maintained. Placements will be assigned separately.

56. Q. What are the current fees for both in-state and out-of-state collections under the current contract?

- A. See question # 1.

57. Q. What agency holds the current contract?

- A. See question # 1.

58. Q. What percentage of the accounts are in the city of New Orleans?

A. That percentage is not currently available.

59. Q. Will the Department of Revenue award both in-state and out-of-state collections to the same vendor?

A. See question # 14.

60. Q. Regarding current collection efforts by outside agencies: Who are the current collection vendors performing these services? What fee rates are these vendors receiving for their services? What recovery rates are the vendors returning?

A. See question # 1.

61. Q. Regarding portfolio information: What type of delinquent accounts receivable will be placed for collection? What is the estimated initial placement of accounts? What is the estimated annual placement volume? What is the average balance of accounts?

A. Please see 1.2 Overview on page 7 of the RFP.

62. Q. According to Section 1.2 Overview, page 7: The estimated initial placement for In-State is 4,845 accounts with a balance due of \$8,614,222.69 and for out-of-state 314 accounts with a balance due of \$3,423,459.66. Does the LA DOR anticipate monthly placement of accounts or should the contractor expect only the initial placement accounts as stated in the above statement?

A. The initial placement will be followed by monthly placements.

63. Q. If monthly account placements will be forthcoming during the contract term, how many accounts are anticipate to be placed with the contractor for both, In-State and Out-State, and what is the estimated dollar value of the accounts placed?

A. This will be a variable number because the placement will be based on the number of files that are completed by the LDR employees and the number of accounts accepted for placement by the Louisiana Attorney General's Office who has the right of first refusal on all accounts selected to be sent to a collection agency.

64. Q. According to Section 1.4 Definitions, page 8 - Second Placement: Accounts that have been previously placed with a collection contractor including the Louisiana Department of Justice. Please clarify what type(s) of collection activity the LA Department of Justice has or will undertake?

A. Letters and telephone contact.

65. Q. According to 2.12 Contract Award, page 13 - The contract will be awarded to the proposer, who has scored the highest number of points, at the sole discretion of the LDR, and whose proposal is determined to be most advantageous to the State, taking into consideration the collection service fee and the ability of the proposer to perform satisfactorily. Two separate contracts will be awarded, one for in-state collections and one for out-of-state collections. How will it be determined, which contractor will be awarded an in-state contract versus an out-of-state contract? Is it possible for one contractor to win both contracts (in-state and out-of-state) or will two contractors be awarded one contract each, per specific territory (in-state vs out-of-state)?

A. Both the in-state and out-of-state bids will be scored independently. Yes, it is possible for one contractor to win both contracts.

66. Q. Page 7 section 1.2 - What is the average balance size of the accounts you will place?

A. We do not have that number at this time.

67. Q. What will be the age of accounts you intend to place? (i.e., will they be early out, first placement, seconds, thirds, or a mixture?)

A. The liabilities will range in age from 60 days after the assessment becomes final and collectible by distraint to as much as 9 1/2 years after the assessment becomes final. Over 75% of the debt has been a final assessment for more than one (1) year.

The accounts that are placed with the successful out-of- state bidder will be first placements. The placements with the successful in-state bidder will be first placements only if the Louisiana Attorney General's Office refuses the liabilities. Otherwise they will be second placements.

68. Q. How frequently do you anticipate placing accounts with the vendor(s)?

A. All assignment placements will be on a monthly basis.

69. Q. Will there be renewal options on the contract? If so, how many, and for what time period?

A. The contracts will be issued for three years with no renewal options.

70. Q. Page 7 section 1.3a - The RFP states that the "Proposer must have a minimum of five years experience in the collections of state, local and/or government tax accounts" According to statute RS 47:1516 and 47:1516.1, the State of Louisiana is to use as a criterion of governmental accounts experience, rather than specifically requiring tax experience. Can LDR please confirm that 5 years of governmental accounts experience will qualify a contractor for consideration of contract award?

- A. Five years of governmental accounts experience will qualify a contractor for consideration.

71. Q. How will the placements be distributed?

- A. Electronically except for a minimal number of manual placements.

72. Q. Will you award contracts to two subsidiaries of the same parent company provided that they are distinct entities with completely separate operations?

- A. See question # 14.

73. Q. Who are your current contractors?

- A. See question # 1.

74. Q. What is the fee structure utilized by your current contractors?

- A. See question # 1.

75. Q. What is your anticipated fee rate for this contract?

- A. We do not have a predetermined amount.

76. Q. Page 12 section 2.9 - "Any corporation awarded the contract shall be on file with the Secretary of State in accordance with the provisions of Title 12, Louisiana Revised Statutes". Is this required prior to contract award?

- A. No

77. Q. Page 20 section 5.3 - "LDR may also make manual assignments of taxes that are not computerized." What percentage of accounts does LDR anticipate placing manually?

- A. We do not have an exact number but it would be a very small percentage of total accounts assigned.

78. Q. Page 29 section 5.17 - Is it correct that this provision refers only to data, program, designs and other results specifically resulting from the contractor's work on this contract? Please clarify whether the LDR may claim rights to publication, production or other use of intellectual property adapted for this contract if such features were originally developed prior to contract start. (E.g., would LDR potentially claim the right to publish features of our pre-existing innovative training program if this program is subsequently customized for the LDR? Certain software applications, books, videos and training manuals utilized in our training program our proprietary technology leased from the soft ware company that owns the rights to these applications therefore Pioneer has no right to transfer ownership to LDR.)

A. LDR would not make a claim in regards to pre-existing training programs or other intellectual property belonging to the contractor.

79. Q. Page 11 section 2.6 - If the Proposer utilizes a legal network consisting of 90+ attorneys located across the country for litigation, is it LDR's intention to conduct on-site inspection of each individual attorney's office?

A. No, however, we reserve the right to do on site inspections.

80. Q. Page 29 section 5.16 - Would the function of printing and mailing letters be governed by the sub contraction requirements outlined in this section?

A. Yes

81. Q. Page 19 section 4.2.f - Will the state accept a separate contingency rate for litigation?

A. Yes, it should be stated separately.